

Agenda Item IV.

Executive Director's Report

A. Actuary Contract *(Melanie Symons)*

Public Employees' Retirement Board
March 8, 2012

Topic: Cheiron's Request to Increase Billing Rates for Non-Retainer Services

Discussion:

Cheiron and the Montana Public Employees' Retirement Board (Board) entered into a five year contract for Actuarial Services commencing July 1, 2009 and ending June 30, 2014. The Contract provides in relevant part, as follows:

"All costs are subject to a cost increase by mutual agreement after the initial term of contract (five years) [2014]. In addition, specific pricing terms may be subject to a cost increase by mutual agreement after the first two years of this contract. Hourly rates applicable to the primary Actuary, Consulting Actuary, and Actuarial Analysts . . . are for 2 years and may be adjusted as of July 1, 2011. All other costs/prices... are fixed for the initial term of 5 years [2014]."

The contract included non-retainer service hourly rates for FY 09 and FY10. No increases were requested through December 2011. By letter dated December 5, 2011, Cheiron requests future increases to non-retainer services as follows:

Category/Consultant	Hrly Rate FY 09	Hrly Rate FY10	Hrly Rate 1/1/12	Hrly Rate 7/1/12
Primary Actuary	\$350	\$360	\$370	\$380
Consulting Actuary	\$250	\$260	\$270	\$280
Actuarial Analysts	\$150	\$160	\$170	\$170

The January 1, 2012 proposed increases are not provided for in MPERA's FY12 Budget. However, they can be incorporated into the Budget if the Board wishes.

Staff Recommendation:

January 1, 2012 Proposed Increase – Board pleasure as this increase is not included in the current budget.

Approve the proposed increase commencing July 1, 2012.

Board Motion:

☐

Approve rate increase starting July 1, 2012.

☐

Approve rate increases starting Jan 1, 2012 and July 1, 2012.

☐

Other.

Moved by

Seconded by

Vote

MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD – ACTUARIAL SERVICES
CONTRACT NUMBER: DOA09-1654L

ADDENDUM NUMBER 3

EFFECTIVE ON DATE LAST SIGNED BY ALL PARTIES NAMED BELOW

Pursuant to Section 3 of the Original Contract, MPERB and CHEIRON agree to the following amendments to Section 3 Cost/Price Adjustments and Section 5 Consideration/Payment:

Section 3 is amended to correct an incorrect reference to non-existent section 5.3 of the Contract and now provides as follows:

3. COST/PRICE ADJUSTMENTS

Cost Increase by Mutual Agreement. All costs are subject to a cost increase by mutual agreement after the initial term of contract (five years). In addition, specific pricing terms may be subject to a cost increase by mutual agreement after the first two years of this contract. Hourly rates applicable to the Primary Actuary, Consulting Actuary, and Actuarial Analysts priced in Section 5.1 are for two (2) years and may be adjusted as of July 1, 2011. All other costs/prices quoted in Section 5 are fixed for the initial term of five (5) years

Section 5.1 is amended to include new rates starting January 1, 2012 and July 1, 2012.

5. CONSIDERATION/PAYMENT

5.1 Payment Schedule.

HOURLY RATES – JANUARY 1, 2012 AND JULY 1, 2012

Contract Period	Position	Hourly Charge
Jan 1 – June 30, 2012	Primary Actuary	\$370.00
Jan 1 – June 30, 2012	Consulting Actuary	\$270.00
Jan 1 – June 30, 2012	Actuarial Analysts	\$170.00
Commencing July 1, 2012	Primary Actuary	\$380.00
Commencing July 1, 2012	Consulting Actuary	\$280.00
Commencing July 1, 2012	Actuarial Analysts	\$170.00

Montana Public Employees' Retirement Board
100 North Park Suite 200
P O Box 200131
Helena MT 59620-0131

Cheiron
1750 Tysons Boulevard Suite 1100
McLean, Virginia 22102
FEIN #13-4215617

John Nielsen, PERB President /Date

Fiona E. Liston /Date

Approved as to Legal Content:

Melanie A. Symons /Date

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5. CONSIDERATION/PAYMENT

5.1 Payment Schedule.

HOURLY RATES – JULY 1, 2012

Contract Period	Position	Hourly Charge
Commencing July 1, 2012	Primary Actuary	\$380.00
Commencing July 1, 2012	Consulting Actuary	\$280.00
Commencing July 1, 2012	Actuarial Analysts	\$170.00

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John Nielsen, PERB President /Date

Fiona E. Liston /Date

Approved as to Legal Content:

Melanie A. Symons /Date



December 5, 2011

VIA ELECTRONIC MAIL

Ms. Roxanne Minnehan
Montana Public Employee Retirement Administration
100 N. Park, Suite 200
P.O. Box 200131
Helena, Montana 59620-0131

Dear Roxanne:

The contract between Cheiron and the Montana Public Employees' Retirement Administration included billing rates for FY 2009 and FY 2010 of the five year contract. Throughout 2011 we continued to apply non-retainer services at the FY 2010 rate. We are requesting that Cheiron's future hourly rates be increased as follows:

Category/Consultant	Hourly Rates Effective 1/1/12	Hourly Rates Effective 7/1/12
Primary Actuary	\$370.00	\$380.00
Consulting Actuary	\$270.00	\$280.00
Actuarial Analysts	\$170.00	\$170.00

If this is acceptable, please forward the contract amendment to my attention. Thank you.

Sincerely,
Cheiron

Stephen T. McElhane, FCA, FSA
Principal Consulting Actuary

